

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 21
Statement of Cash Flows	I 22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 23
Statement of Changes in Fiduciary Net Assets	K 24
Notes to Financial Statements	25-37
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	38
Notes to Required Supplementary Information - Budgetary Reporting	39
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 42-43
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4 44
Combining Statement of Fiduciary Net Assets	
Private Purpose Trust - Scholarship Funds	5 45
Combining Statement of Changes in Fiduciary Net Assets	
Private Purpose Trust - Scholarship Funds	6 46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7 47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	48-49
Schedule of Findings	50-57

Missouri Valley Community School District
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 election)		
Brit Liljedahl	President	2007
Brenda Dooley	Vice President	2008
Daniel Zaiser	Board Member	2009
Patricia Allmon	Board Member	2008
Mark Warner	Board Member	2007
Board of Education (After September 2007 election)		
Brenda Dooley	President	2008
Daniel Zaiser	Board Member	2009
Patricia Allmon	Board Member	2008
Michele Wilson	Board Member	2011
Pat Skelton	Board Member	2009
School Officials		
Dr. Thomas J. Micek	Superintendent	2008
Robyn Wohlers	District Secretary Treasurer	2008
Rick Franck	Board Attorney/ Administrative Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Missouri Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Missouri Valley Community School District, Missouri Valley, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Missouri Valley Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

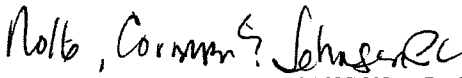
In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2009 on our consideration of Missouri Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 39 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Missouri Valley Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Missouri Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,177,198 in fiscal 2007 to \$7,395,206 in fiscal 2008, while General Fund expenditures increased from \$7,324,940 in fiscal 2007 to \$7,860,219 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$363,437 in fiscal 2007 to a deficit balance of \$114,076 in fiscal 2008, a 131.39% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local, state and federal sources in fiscal 2008. The increase in expenditures was due primarily to an increase in negotiated salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Missouri Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Missouri Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Missouri Valley Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, schedules four through six provide information about fiduciary funds maintained by the District. These funds would include the Private Purpose Trust and the Agency Fund.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

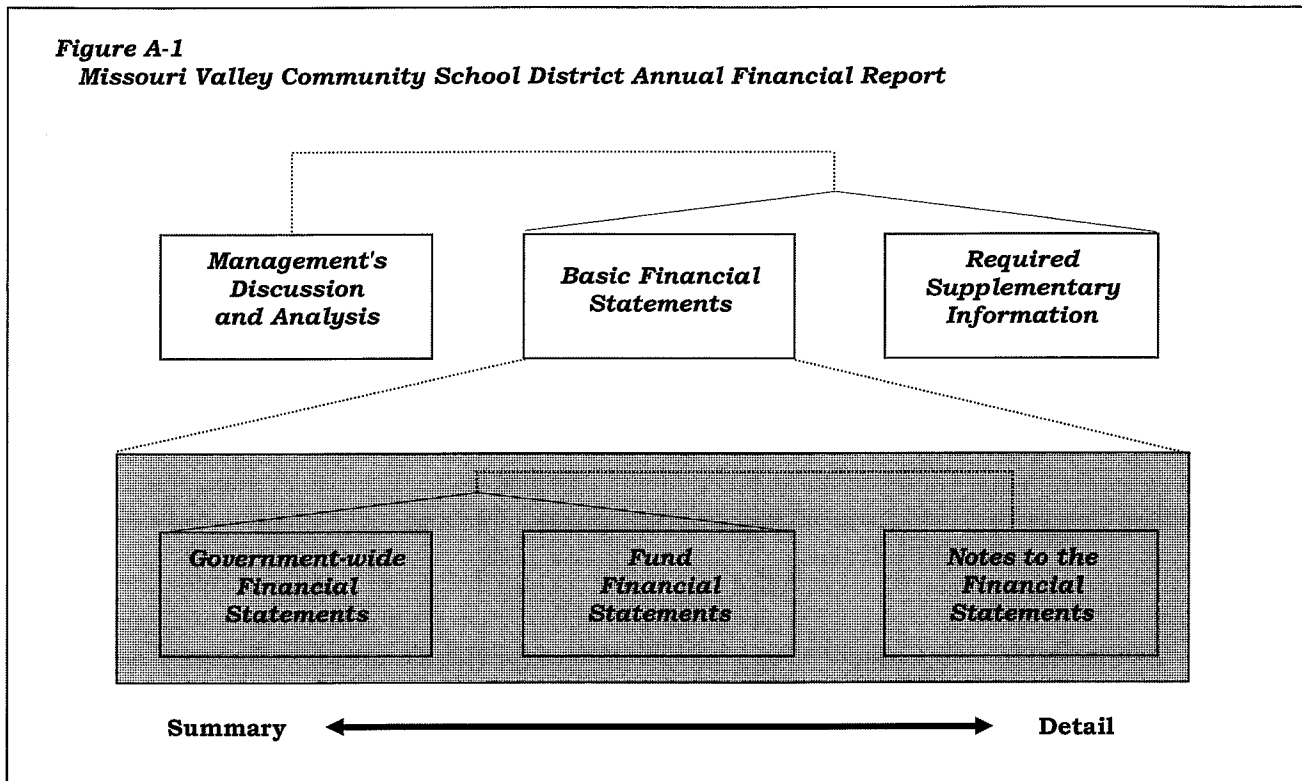


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for the District's faculty pop funds and athletic coach's funds.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 5,855,856	5,560,817	43,824	30,910	5,899,680	5,591,727	5.51%
Capital assets	11,180,309	11,900,072	87,019	102,556	11,267,328	12,002,628	-6.13%
Total assets	17,036,165	17,460,889	130,843	133,466	17,167,008	17,594,355	-2.43%
Long-term obligations	4,608,705	5,069,333	0	0	4,608,705	5,069,333	-9.09%
Other liabilities	4,406,340	3,959,536	3,346	3,315	4,409,686	3,962,851	11.28%
Total liabilities	9,015,045	9,028,869	3,346	3,315	9,018,391	9,032,184	-0.15%
Net assets:							
Invested in capital assets, net of related debt	6,940,309	6,770,072	87,019	102,556	7,027,328	6,872,628	2.25%
Restricted	1,237,469	365,785	0	0	1,237,469	365,785	238.31%
Unrestricted	(156,658)	1,296,163	40,478	27,595	(116,180)	1,323,758	-108.78%
Total net assets	\$ 8,021,120	8,432,020	127,497	130,151	8,148,617	8,562,171	-4.83%

The District's combined net assets decreased by 4.83%, or \$413,554, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$871,684, or 238.31% over the prior year. The increase was primarily a result of the reclassifying the Debt Service and Capital Projects Funds as restricted.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$1,439,938, or 108.78%. This decrease is partially due to the decrease in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 428,076	628,111	218,997	215,178	647,073	843,289	-23.27%
Operating grants and contributions and restricted interest	1,076,308	891,541	178,234	172,202	1,254,542	1,063,743	17.94%
Capital grants and contributions and restricted interest	59,681	6,205	0	0	59,681	6,205	861.82%
General revenues:							
Property tax	2,977,100	2,859,852	0	0	2,977,100	2,859,852	4.10%
Income surtax	243,012	217,228	0	0	243,012	217,228	11.87%
Local option sales and services tax	529,312	551,409	0	0	529,312	551,409	-4.01%
Unrestricted state grants	3,794,559	3,685,965	0	0	3,794,559	3,685,965	2.95%
Unrestricted investment earnings	95,141	69,553	644	439	95,785	69,992	36.85%
Other	107,911	32,909	0	0	107,911	32,909	227.91%
Transfers	(22,258)	(9,500)	22,258	9,500	0	0	0.00%
Total revenues and transfers	9,288,842	8,933,273	420,133	397,319	9,708,975	9,330,592	4.06%
Program expenses:							
Governmental activities:							
Instruction	5,973,710	5,119,238	0	0	5,973,710	5,119,238	16.69%
Support services	2,867,524	2,577,732	0	0	2,867,524	2,577,732	11.24%
Non-instructional programs	0	0	422,787	390,199	422,787	390,199	8.35%
Other expenses	858,508	851,352	0	0	858,508	851,352	0.84%
Total expenses	9,699,742	8,548,322	422,787	390,199	10,122,529	8,938,521	13.25%
Changes in net assets	(410,900)	384,951	(2,654)	7,120	(413,554)	392,071	-205.48%
Beginning net assets	8,432,020	8,047,069	130,151	123,031	8,562,171	8,170,100	4.80%
Ending net assets	\$ 8,021,120	8,432,020	127,497	130,151	8,148,617	8,562,171	-4.83%

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 81.22% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 94.55% of the revenue from business type activities.

The District's total revenues were approximately \$9.71 million of which \$9.29 million was for governmental activities and more than \$0.42 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.06% increase in revenues and a 13.25% increase in expenses. The increase in expenses related to the increase in negotiated salaries and benefits, utility costs and transportation costs.

Governmental Activities

Revenues and transfers out for governmental activities were \$9,288,842 and expenses were \$9,699,742.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 5,973,710	5,119,238	16.69%	4,783,102	3,924,035	21.89%
Support services	2,867,524	2,577,732	11.24%	2,860,027	2,544,122	12.42%
Other expenses	858,508	851,352	0.84%	492,548	554,308	-11.14%
Totals	\$ 9,699,742	8,548,322	13.47%	8,135,677	7,022,465	15.85%

- The cost financed by users of the District's programs was \$428,076.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,135,989.
- The net cost of governmental activities was financed with \$2,977,100 in property tax, \$243,012 in income surtax \$529,312 in local option sales and services tax, \$3,794,559 in unrestricted state grants, \$95,141 in interest income and \$85,653 in other general revenue.

Business-Type Activities

Revenues and transfers in of the District's business-type activities were \$420,133 and expenses were \$422,787. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Missouri Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,255,106, below last year's ending fund balance of a \$1,538,729. The decrease was due primarily to the decrease in General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in federal sources resulted in an increase in revenues. However, along with the increase in revenues, the General Fund also had an increase in expenditures. Unfortunately the increase in General Fund revenues was not enough to offset the increase in General Fund expenditures, thus causing the General Fund balance to decreased from \$363,437 in fiscal year 2007 to a deficit fund balance of \$114,076 in fiscal year 2008. In addition, the District transferred \$12,500 to support the District's Nutrition Fund.

-
- The Capital Projects Fund is utilized for the collection of local option sales and services tax and subsequent payment of infrastructure needs and revenue bonds of the District. The District made one transfer to the Debt Service Fund of \$120,175 to cover the costs related to the District's revenue bonds. The Capital Projects balance increased from \$809,507 in fiscal year 2007 to \$951,714 in fiscal year 2008, due to decreased fund expenditures as compared to fiscal year 2007.
 - The Debt Service Fund balance was utilized for the payments of principal and interest on bonds. The Debt Service balance decreased from \$105,034 in fiscal year 2007 to \$93,426 in fiscal year 2008.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$130,151 at June 30, 2007 to \$127,497 at June 30, 2008, representing a decrease of 2.04%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$103,655 more than budgeted receipts, a variance of 1.10%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

During the year ended June 30, 2008, the District adopted one budget amendment as a reallocation of expenditures between functional areas so as not to exceed the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$11,267,328, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 6.13% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$1,279,531.

The original cost of the District's capital assets was \$14,884,886. Governmental funds account for \$14,706,987 with the remainder of \$177,899 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,136,843 at June 30, 2007, compared to \$541,921 reported at June 30, 2008. This decrease is mainly attributable to reclassification of assets to the proper groupings during the fiscal year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 61,250	61,250	0	0	61,250	61,250	0.00%
Buildings	10,190,469	10,367,409	0	0	10,190,469	10,367,409	-1.71%
Land improvements	473,688	437,126	0	0	473,688	437,126	8.36%
Machinery and equipment	454,902	1,034,287	87,019	102,556	541,921	1,136,843	-52.33%
Total	\$ 11,180,309	11,900,072	87,019	102,556	11,267,328	12,002,628	-6.13%

Long-Term Debt

At June 30, 2007, the District had \$4,608,705 in general obligation and other long-term debt outstanding. This represents a decrease of 9.09% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District had outstanding general obligation bonds payable of \$2,675,000 at June 30, 2008.

The District had outstanding revenue bonds payable of \$565,000 at June 30, 2008.

The District had outstanding qualified zone academy bonds payable of \$1,000,000 at June 30, 2008.

The District had outstanding early retirement payable of \$337,993 at June 30, 2008.

The District had outstanding compensated absences of \$30,712 at June 30, 2008.

Figure A-7

	Outstanding Long-Term Obligations		
	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,675,000	3,030,000	-11.72%
Revenue bonds	565,000	660,000	-14.39%
Qualified zone academy bonds	1,000,000	1,000,000	0.00%
Early retirement	337,993	359,373	-5.95%
Compensated absences	30,712	19,960	53.87%
Totals	\$ 4,608,705	5,069,333	-9.09%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections.

-
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2008, the Missouri Valley Community School District had sixty-one students enrolled out of the district and thirty-three students enrolled into the district. Closing the gap between the number of open enrolled out students and open enrolled students would benefit the health of the General Fund.
 - On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Missouri Valley Community Schools employer benefit costs over the next four years.
 - The increased costs of fuel for the District's transportation department as well as increased costs for other utilities had an adverse effect on the District's General Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robyn Wohlers, District Secretary/Treasurer, Missouri Valley Community School District, 109 East Michigan Street, Missouri Valley, Iowa, 51555.

BASIC FINANCIAL STATEMENTS

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 5)	\$ 886,164	0	886,164
Other	1,241,690	31,622	1,273,312
Receivables			
Property tax:			
Delinquent	40,036	0	40,036
Succeeding year	3,106,150	0	3,106,150
Income surtax	211,166	0	211,166
Interfund	86	(86)	0
Accounts	10,288	1,152	11,440
Accrued ISCAP interest(Note 5)	336	0	336
Due from other governments	359,940	0	359,940
Inventories	0	11,136	11,136
Capital assets, net of accumulated depreciation(Note 6)	11,180,309	87,019	11,267,328
TOTAL ASSETS	17,036,165	130,843	17,167,008
LIABILITIES			
Accounts payable	125,319	0	125,319
Salaries and benefits payable	261,782	0	261,782
Accrued interest payable	16,756	0	16,756
ISCAP warrants payable(Note 5)	881,000	0	881,000
ISCAP accrued interest payable(Note 5)	258	0	258
ISCAP unamortized premium	15,075	0	15,075
Deferred revenue:			
Succeeding year property tax	3,106,150	0	3,106,150
Unearned revenue	0	3,346	3,346
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	365,000	0	365,000
Revenue bonds payable	100,000	0	100,000
Early retirement payable	74,528	0	74,528
Portion due after one year:			
General obligation bonds payable	2,310,000	0	2,310,000
Revenue bonds payable	465,000	0	465,000
Early retirement payable	263,465	0	263,465
Compensated absences	30,712	0	30,712
Qualified zone academy bonds	1,000,000	0	1,000,000
TOTAL LIABILITIES	9,015,045	3,346	9,018,391
NET ASSETS			
Invested in capital assets, net of related debt	6,940,309	87,019	7,027,328
Restricted for:			
Talented and gifted	10,930	0	10,930
Salary improvement program	1,217	0	1,217
Phase I	1,316	0	1,316
Market factor incentives	3,770	0	3,770
Physical plant and equipment levy	94,024	0	94,024
Capital projects	951,714	0	951,714
Debt service	93,426	0	93,426
Other special revenue purposes	81,072	0	81,072
Unrestricted	(156,658)	40,478	(116,180)
TOTAL NET ASSETS	\$ 8,021,120	127,497	8,148,617

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Contributions	Governmental Activities	Business- Type Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
Governmental activities:							
Instruction:							
Regular instruction	\$ 4,014,413	216,839	701,907	0	(3,095,667)	0	(3,095,667)
Special instruction	1,146,073	19,218	48,663	0	(1,078,192)	0	(1,078,192)
Other instruction	813,224	186,418	17,563	0	(609,243)	0	(609,243)
	5,973,710	422,475	768,133	0	(4,783,102)	0	(4,783,102)
Support services:							
Student services	190,726	0	0	0	(190,726)	0	(190,726)
Instructional staff services	362,096	0	0	0	(362,096)	0	(362,096)
Administration services	967,810	0	0	868	(966,942)	0	(966,942)
Operation and maintenance of plant services	908,897	0	0	0	(908,897)	0	(908,897)
Transportation services	437,995	0	6,629	0	(431,366)	0	(431,366)
	2,867,524	0	6,629	868	(2,860,027)	0	(2,860,027)
Other expenditures:							
Facilities acquisitions	18,186	5,601	0	57,169	44,584	0	44,584
Long-term debt interest	131,921	0	0	1,644	(130,277)	0	(130,277)
AEA flowthrough	301,546	0	301,546	0	0	0	0
Depreciation(unallocated)*	406,855	0	0	0	(406,855)	0	(406,855)
	858,508	5,601	301,546	58,813	(492,548)	0	(492,548)
Total governmental activities	9,699,742	428,076	1,076,308	59,681	(8,135,677)	0	(8,135,677)
Non-instructional programs:							
Food service operations	422,787	218,997	178,234	0	0	(25,556)	(25,556)
Total	\$ 10,122,529	647,073	1,254,542	59,681	(8,135,677)	(25,556)	(8,161,233)
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes				\$ 2,194,222	0		2,194,222
Debt service				620,819	0		620,819
Capital outlay				162,059	0		162,059
Income surtax				243,012	0		243,012
Local option sales and services tax				529,312	0		529,312
Unrestricted state grants				3,794,559	0		3,794,559
Unrestricted investment earnings				95,141		644	95,785
Other general revenues				107,911	0		107,911
Transfers				(22,258)	22,258		0
Total general revenues and transfers				7,724,777	22,902		7,747,679
Changes in net assets				(410,900)	(2,654)		(413,554)
Net assets beginning of year				8,432,020	130,151		8,562,171
Net assets end of year				\$ 8,021,120	127,497		8,148,617

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS						
Cash and pooled investments:						
ISCAP(Note 5)	\$ 886,164	0	0	0	0	886,164
Other	144,938	145,613	691,512	87,061	172,566	1,241,690
Receivables:						
Property tax:						
Delinquent	27,791	3,333	0	6,365	2,547	40,036
Succeeding year	2,233,718	220,000	0	454,015	198,417	3,106,150
Income surtax	211,166	0	0	0	0	211,166
Interfund	0	0	0	0	86	86
Accounts	10,288	0	0	0	0	10,288
Accrued ISCAP interest (Note 5)	336	0	0	0	0	336
Due from other governments	99,738	0	260,202	0	0	359,940
TOTAL ASSETS	\$ 3,614,139	368,946	951,714	547,441	373,616	5,855,856
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 125,216	0	0	0	103	125,319
Salaries and benefits payable	261,782	0	0	0	0	261,782
ISCAP warrants payable (Note 5)	881,000	0	0	0	0	881,000
ISCAP accrued interest payable (Note 5)	258	0	0	0	0	258
ISCAP unamortized premium	15,075	0	0	0	0	15,075
Deferred revenue:						
Succeeding year property tax	2,233,718	220,000	0	454,015	198,417	3,106,150
Income surtax	211,166	0	0	0	0	211,166
Total liabilities	3,728,215	220,000	0	454,015	198,520	4,600,750
Fund balances:						
Reserved for:						
Debt service	0	0	0	93,426	0	93,426
Talented and gifted	10,930	0	0	0	0	10,930
Salary improvement program	1,217	0	0	0	0	1,217
Phase I	1,316	0	0	0	0	1,316
Market factor incentives	3,770	0	0	0	0	3,770
Unreserved:						
Undesignated	(131,309)	148,946	951,714	0	175,096	1,144,447
Total fund balances	(114,076)	148,946	951,714	93,426	175,096	1,255,106
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,614,139	368,946	951,714	547,441	373,616	5,855,856

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 1,255,106
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,180,309
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	211,166
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,756)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, qualified zone academy bonds payable, early retirement payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,608,705)</u>
Net assets of governmental activities (page 14)	<u><u>\$ 8,021,120</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 2,218,787	234,410	529,312	435,097	172,898	3,590,504
Tuition	180,746	0	0	0	0	180,746
Other	180,547	80,628	16,320	5,516	238,467	521,478
State sources	4,572,789	176	0	335	134	4,573,434
Federal sources	242,337	868	0	1,644	41,169	286,018
Total revenues	7,395,206	316,082	545,632	442,592	452,668	9,152,180
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	3,296,354	155,491	0	0	0	3,451,845
Special instruction	1,146,073	0	0	0	0	1,146,073
Other instruction	625,182	0	0	0	261,054	886,236
	5,067,609	155,491	0	0	261,054	5,484,154
Support services:						
Student services	190,204	0	0	0	0	190,204
Instructional staff services	271,626	0	0	0	0	271,626
Administration services	984,274	0	1,638	0	0	985,912
Operation and maintenance of plant services	710,793	94,489	45,226	0	53,216	903,724
Transportation services	334,167	12,540	69,390	0	20,760	436,857
	2,491,064	107,029	116,254	0	73,976	2,788,323
Other expenditures:						
Facilities acquisitions	0	0	166,996	0	107,909	274,905
Long-term debt:						
Principal	0	0	0	450,000	0	450,000
Interest and fiscal charges	0	0	0	124,375	0	124,375
AEA flowthrough	301,546	0	0	0	0	301,546
	301,546	0	166,996	574,375	107,909	1,150,826
Total expenditures	7,860,219	262,520	283,250	574,375	442,939	9,423,303
Excess(deficiency) of revenues over(under) expenditures	(465,013)	53,562	262,382	(131,783)	9,729	(271,123)
Other financing sources(uses):						
Transfers in	0	0	0	120,175	0	120,175
Transfers out	(12,500)	0	(120,175)	0	0	(132,675)
Total other financing sources(uses)	(12,500)	0	(120,175)	120,175	0	(12,500)
Net change in fund balances	(477,513)	53,562	142,207	(11,608)	9,729	(283,623)
Fund balance beginning of year	363,437	95,384	809,507	105,034	165,367	1,538,729
Fund balance end of year	\$ (114,076)	148,946	951,714	93,426	175,096	1,255,106

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ (283,623)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal of capital assets in the year are as follows:

Capital outlays	\$ 539,806	
Depreciation expense	(1,254,236)	
Loss on disposal of capital assets	<u>(5,333)</u>	(719,763)

Local tax receivable is not available to finance expenditures of the current year period in the governmental funds. 139,404

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 450,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (7,546)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 21,380	
Compensated absences	<u>(10,752)</u>	<u>10,628</u>

Changes in net assets of governmental activities (page 15) \$ (410,900)

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 31,622
Accounts receivable	1,152
Inventories	11,136
Capital assets, net of accumulated depreciation (Note 6)	87,019
Total assets	<u>130,929</u>
LIABILITIES	
Interfund payable	86
Unearned revenue	3,346
Total liabilities	<u>3,432</u>
NET ASSETS	
Invested in capital assets	87,019
Unrestricted	40,478
Total net assets	<u>\$ 127,497</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 218,997</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	125,444
Benefits	35,111
Services	10,702
Supplies	226,068
Other	167
Depreciation	25,295
TOTAL OPERATING EXPENSES	<u>422,787</u>
OPERATING LOSS	<u>(203,790)</u>
NON-OPERATING REVENUES:	
State sources	4,963
Federal sources	173,271
Interest income	644
TOTAL NON-OPERATING REVENUES	<u>178,878</u>
Change in net assets before other financing sources	(24,912)
OTHER FINANCING SOURCES:	
Transfer in	12,500
Capital contribution	9,758
TOTAL OTHER FINANCING SOURCES	<u>22,258</u>
Change in net assets	(2,654)
Net assets beginning of year	<u>130,151</u>
Net assets end of year	<u><u>\$ 127,497</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 215,956
Cash received from miscellaneous operating activities	1,920
Cash payments to employees for services	(160,555)
Cash payments to suppliers for goods or services	(218,139)
Net cash used in operating activities	<u>(160,818)</u>
Cash flows from non-capital financing activities:	
Interfund borrowings from the Activity Fund	86
Transfer in from General Fund	12,500
State grants received	4,963
Federal grants received	152,029
Net cash provided by non-capital financing activities	<u>169,578</u>
Cash flows from investing activities:	
Interest on investments	<u>644</u>
Net increase in cash and cash equivalents	9,404
Cash and cash equivalents at beginning of year	<u>22,218</u>
Cash and cash equivalents at end of year	<u>\$ 31,622</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (203,790)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	21,242
Depreciation	25,295
Increase in inventories	(2,444)
Increase in accounts receivable	(1,152)
Increase in unearned revenue	31
Net cash used in operating activities	<u>\$ (160,818)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 31,622</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2008, the District received Federal commodities valued at \$21,242.	
During the year ended June 30, 2008, the Nutrition Fund received contributed capital from the Physical Plant and Equipment Levy Fund valued at \$9,758.	

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 99,511	10,396
LIABILITIES		
Due to other groups	0	10,396
NET ASSETS		
Reserved for scholarships	\$ 99,511	0

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 8,912
Contributions	58,711
Total additions	<u>67,623</u>
Deductions:	
Scholarships awarded	<u>13,210</u>
Change in net assets	54,413
Net assets beginning of year	<u>45,098</u>
Net assets end of year	<u>\$ 99,511</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Missouri Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Missouri Valley, Iowa, and the predominately agricultural territory in Harrison and Shelby Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Missouri Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Missouri Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison County and Pottawattamie County Assessors' Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue, Management Levy Fund is utilized to account for the payment of the District's property insurance and early retirement benefits.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, the District adopted one budget amendment as a reallocation of expenditures between functional areas so as not to exceed the certified budget.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 419,363</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the District in the District's name. Certificates are stated at fair value.

At June 30, 2008, the District had investments in Certificates of Deposit maturing over one year as follows:

	<u>Fair Value</u>
Diversified Portfolio	<u>\$ 42,474</u>

(3) **Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 120,175
Nutrition	General	12,500
Total		<u>\$ 132,675</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Capital Projects Fund transferred to the Debt Service Fund to pay revenue bonds and debt relief.

General Fund transferred to the Nutrition Fund for cashflow purposes to pay for salary and benefit costs.

(4) **Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Activity	Nutrition	<u>\$ 86</u>

The Nutrition Fund is repaying the Student Activity Fund for Team Nutrition grant expenditures that were paid from the Student Activity Fund instead of the Nutrition Fund. The balance will be repaid by June 30, 2009.

(5) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ 886,164	336	881,000	258

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	200,000	200,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 61,250	0	0	61,250
Total capital assets not being depreciated	61,250	0	0	61,250
Capital assets being depreciated:				
Buildings	11,505,288	170,527	0	11,675,815
Land improvements	614,362	95,950	0	710,312
Machinery and equipment	2,370,671	273,329	384,390	2,259,610
Total capital assets being depreciated	14,490,321	539,806	384,390	14,645,737
Less accumulated depreciation for:				
Buildings	1,137,879	347,467	0	1,485,346
Land improvements	177,236	59,388	0	236,624
Machinery and equipment	1,336,384	847,381	379,057	1,804,708
Total accumulated depreciation	2,651,499	1,254,236	379,057	3,526,678
Total capital assets being depreciated, net	11,838,822	(714,430)	5,333	11,119,059
Governmental activities capital assets, net	\$ 11,900,072	(714,430)	5,333	11,180,309
Business-type activities:				
Machinery and equipment	\$ 180,459	9,758	12,318	177,899
Less accumulated depreciation	77,903	25,295	12,318	90,880
Business-type activities capital assets, net	\$ 102,556	(15,537)	0	87,019

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular instruction	\$ 624,984
Other instruction	18,399

Support services:

Student	522
Instructional staff	94,125
Administration	12,427
Operation of plant and maintenance	6,010
Transportation	90,914
	<u>847,381</u>

Unallocated depreciation	<u>406,855</u>
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Total governmental activities depreciation expense	<u>\$ 1,254,236</u>
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Business-type activities:

Food services	<u>\$ 25,295</u>
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(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,030,000	0	355,000	2,675,000	365,000
Revenue Bonds	660,000	0	95,000	565,000	100,000
Qualified Zone Academy Bonds	1,000,000	0	0	1,000,000	0
Early Retirement	359,373	88,116	109,496	337,993	74,528
Compensated Absences	19,960	30,712	19,960	30,712	30,712
Total	<u>\$ 5,069,333</u>	<u>118,828</u>	<u>579,456</u>	<u>4,608,705</u>	<u>570,240</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated May 1, 2003				
	Interest Rates	Principal	Interest	Total	
2009	3.000 %	\$ 365,000	89,015	454,015	
2010	3.300	380,000	78,065	458,065	
2011	3.350	390,000	65,525	455,525	
2012	3.350	400,000	52,460	452,460	
2013	3.350	415,000	39,060	454,060	
2014	3.350	435,000	25,158	460,158	
2015	3.500	290,000	10,150	300,150	
Total		<u>\$ 2,675,000</u>	<u>359,433</u>	<u>3,034,433</u>	

Revenue Bonds Payable

Details of the District's June 30, 2008 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond issue dated December 1, 2005			
	Interest Rates	Principal	Interest	Total
2009	4.078 %	\$ 100,000	20,999	120,999
2010	4.078	100,000	16,921	116,921
2011	4.078	105,000	12,742	117,742
2012	4.078	110,000	8,359	118,359
2013	4.078	95,000	4,180	99,180
2014	4.078	55,000	1,121	56,121
Total		\$ 565,000	64,322	629,322

The District has pledged future local option sales and services tax revenues to repay the \$565,000 bonds issued December 1, 2005. The bonds were issued for the purpose of defraying a portion of the cost of capital improvements in the District. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 18 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$629,322. For the current year \$119,974 in principal and interest was paid on the bonds and total local option sales and services tax revenues were \$545,632.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$75,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Qualified Zone Academy Bonds

During the year ended June 30, 2006, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers from the Physical Plant and Equipment Levy (PPEL) fund to a debt sinking fund will be made to pay the indebtedness due December 1, 2014, of \$1,000,000.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Approved retirees may remain a part of the District's group health and major medical insurance coverage and have their individual insurance policy payments in an amount set by the Board paid by the District until age sixty-five. The amount to be paid for new retiree's insurance coverage shall not exceed \$3,400 per year per retiree. Early retirement benefits paid during the year ended June 30, 2008 totaled \$109,496.

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 was \$249,880, \$235,881 and \$231,714, respectively, equal to the required contributions for the year.

(10) Risk Management

Missouri Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$301,546 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Fund Balance/Net Assets

The General Fund had a deficit unreserved undesignated fund balance of \$131,309. The District also had a deficit unrestricted net assets balance in the governmental activities of \$156,658.

REQUIRED SUPPLEMENTARY INFORMATION

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 4,292,728	219,641	4,512,369	4,502,841	4,502,841	9,528
State sources	4,573,434	4,963	4,578,397	4,658,659	4,658,659	(80,262)
Federal sources	286,018	173,271	459,289	284,900	284,900	174,389
Total revenues	9,152,180	397,875	9,550,055	9,446,400	9,446,400	103,655
Expenditures:						
Instruction	5,484,154	0	5,484,154	6,569,248	6,290,248	806,094
Support services	2,788,323	0	2,788,323	3,115,050	3,115,050	326,727
Non-instructional programs	0	422,787	422,787	365,226	444,226	21,439
Other expenditures	1,150,826	0	1,150,826	2,138,931	2,138,931	988,105
Total expenditures	9,423,303	422,787	9,846,090	12,188,455	11,988,455	2,142,365
Excess(deficiency) of revenues over(under) expenditures	(271,123)	(24,912)	(296,035)	(2,742,055)	(2,542,055)	2,246,020
Other financing sources(uses), net	(12,500)	22,258	9,758	0	0	9,758
Excess(Deficiency) of revenues and other financing sources(uses) under expenditures and other financing sources(uses)	(283,623)	(2,654)	(286,277)	(2,742,055)	(2,542,055)	2,255,778
Balance beginning of year	1,538,729	130,151	1,668,880	2,117,462	2,117,462	(448,582)
Balance end of year	\$ 1,255,106	127,497	1,382,603	(624,593)	(424,593)	1,807,196

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, the District adopted one budget amendment as a reallocation of expenditures between functional areas so as not to exceed the certified budget.

OTHER SUPPLEMENTARY INFORMATION

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Nonmajor Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 81,089	91,477	172,566
Receivables:			
Property tax:			
Current year delinquent	0	2,547	2,547
Succeeding year	0	198,417	198,417
Interfund	86	0	86
TOTAL ASSETS	<u>\$ 81,175</u>	<u>292,441</u>	<u>373,616</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 103	0	103
Deferred revenue:			
Succeeding year property tax	0	198,417	198,417
Total liabilities	<u>103</u>	<u>198,417</u>	<u>198,520</u>
Unreserved fund balances	<u>81,072</u>	<u>94,024</u>	<u>175,096</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 81,175</u>	<u>292,441</u>	<u>373,616</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	172,898	172,898
Other	215,135	23,332	238,467
State sources	0	134	134
Federal sources	0	41,169	41,169
Total revenues	215,135	237,533	452,668
EXPENDITURES:			
Current:			
Instruction:			
Other instruction	261,054	0	261,054
Support services:			
Operation and maintenance			
of plant services	0	53,216	53,216
Student transportation	0	20,760	20,760
Other expenditures:			
Facilities acquisitions	0	107,909	107,909
Total expenditures	261,054	181,885	442,939
Net change in fund balance	(45,919)	55,648	9,729
Fund balance beginning of year	126,991	38,376	165,367
Fund balance end of year	\$ 81,072	94,024	175,096

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
HS Thespians	\$ 2,335	3,541	3,657	0	2,219
HS Vocal Music	252	2,616	604	0	2,264
MS Vocal Music	340	9,159	6,644	0	2,855
Elementary Vocal Music	333	0	157	0	176
HS Swing Choir	341	335	555	0	121
HS Band	104	130	95	0	139
MS Band	(110)	0	0	110	0
6th Grade Band	190	0	0	(110)	80
Boys Cross Country	317	544	508	0	353
Girls Cross Country	488	518	584	0	422
Coed Golf	285	652	820	0	117
Drill Team	1,032	2,752	2,322	0	1,462
HS Boys Basketball	2,912	5,160	3,144	0	4,928
HS Football	1,372	13,836	11,164	(1,836)	2,208
HS Baseball	(1,639)	4,546	4,440	1,540	7
A&B Cub Baseball	169	872	303	0	738
HS Boys Track	(613)	938	938	613	0
MS G/B Track	68	488	480	0	76
HS Wrestling	23	2,869	2,892	0	0
HS Girls Basketball	3,071	3,023	2,420	(1,344)	2,330
MS Girls Basketball	1	0	0	0	1
HS Volleyball	1,255	4,418	4,069	0	1,604
MS Volleyball	1	176	173	0	4
HS Softball	(1,405)	5,304	4,768	881	12
MS Softball	11	0	0	0	11
HS Girls Track	(463)	0	0	463	0
Athletics	792	20,433	17,967	(2,153)	1,105
MS Athletics	2,989	938	3,165	0	762
Elementary Activity	2,653	5,964	5,407	0	3,210
MS Student Activity	876	1,274	1,262	0	888
HS Activity	561	1,344	629	(184)	1,092
Arrowhead Diner Account	341	67	169	0	239
MS Student Council	(65)	6,363	5,726	0	572
HS Student Council	930	3,309	2,124	0	2,115
Elementary Jump Rope for Heart	134	0	52	0	82
MS Jump Rope for Heart	2	5	5	0	2
Annual	368	5,542	5,370	184	724
HS Resale	521	415	462	0	474
MS Resale	271	0	0	0	271
Elementary Outdoor Ed	1,068	100	1,024	0	144
5th Grade	504	2,626	2,750	0	380
Elementary Library Maint.	285	340	548	0	77
MS Leadership	1,215	0	0	0	1,215
MS Personal Development	1,798	1,310	1,465	0	1,643
Kuhlmann Technology	1,253	90	29	0	1,314
Student Technology	867	337	394	0	810
Technology Projector	120	0	0	0	120
Alumni	111	0	0	0	111
Friends of Rachel	0	72	374	820	518
Dream Program	177	0	86	0	91

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
National Honor Society	134	852	772	0	214
HS Media Maintenance	616	647	453	0	810
Post Prom	94	0	0	0	94
MoValley Home Page	1,815	1	89	0	1,727
Jensen Basketball Memorial	0	700	700	0	0
Business Ed.	470	56	168	0	358
Art	155	126	41	0	240
Future Homemakers	1,062	2,926	3,341	(23)	624
Health Occupations	941	11,550	11,581	0	910
Key Club	1,020	2,461	2,294	0	1,187
MVHS Pep Club	1,186	1,079	1,768	0	497
Science Club	347	14	30	0	331
Spanish Club	1,483	566	348	0	1,701
Math Club	712	2,346	2,231	23	850
Class of 2007	1,130	0	0	(1,130)	0
Class of 2008	2,192	1,666	3,482	0	376
Class of 2009	120	16,841	14,840	0	2,121
Class of 2010	1,061	100	279	0	882
Class of 2011	0	0	0	1,130	1,130
Social Studies Investments	46,350	5,971	0	(48,000)	4,321
Social Studies Students	13,671	16,187	77,858	48,000	0
Special Needs	1,068	1,006	1,674	0	400
Activity Fund Investments	6,484	1,209	1,074	0	6,619
Boys Basketball	1,420	3,135	3,726	0	829
Football	2,511	15,173	17,391	706	999
Baseball	1,180	5,760	4,857	1,130	3,213
Boys Track/Cross Country	647	2,754	2,462	0	939
Girls Basketball	935	2,107	1,755	0	1,287
Volleyball	4,884	2,940	2,093	0	5,731
Softball	2,279	440	549	0	2,170
Girls Cross Country	591	2,198	2,789	0	0
MS Cheerleaders	22	0	0	0	22
HS Cheerleaders	416	1,918	1,930	0	404
SADD Chapter	820	0	0	(820)	0
Athletic Safety Equipment	734	0	734	0	0
Total	\$ 126,991	215,135	261,054	0	81,072

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 9,961	61,678	61,243	10,396
LIABILITIES				
Due to other groups	\$ 9,961	61,678	61,243	10,396

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
JUNE 30, 2008

		Private Purpose Trust - Scholarship Fund							
Vocal Scholarship	Longview Scholarship	Key Club Scholarship	Rand Scholarship	Walsh Scholarship	Jensen Scholarship	McIntosh Scholarship	Thomas Scholarship	Brookhouser Scholarship	Total
	323	294	520	40,614	42,474	1,038	2,245	6,720	99,511
\$	323	294	520	40,614	42,474	1,038	2,245	6,720	99,511
ASSETS									
Cash and pooled investments									
TOTAL ASSETS									
	0	0	0	0	0	0	0	0	0
LIABILITIES									
NET ASSETS									
	323	294	520	7,614	4,474	1,038	2,245	6,720	28,511
Unreserved									
	0	0	0	33,000	38,000	0	0	0	71,000
Reserved for scholarships									
\$	323	294	520	40,614	42,474	1,038	2,245	6,720	99,511
Total Net Assets									

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund										
	Ash Scholarship	Vocal Scholarship	Longview Scholarship	Key Club Scholarship	Rand Scholarship	Walsh Scholarship	Jensen Scholarship	McIntosh Scholarship	Thomas Scholarship	Brookhouser Scholarship	Total
ADDITIONS:											
Local sources:											
Gifts and contributions	\$ 0	100	0	500	13,586	38,000	525	1,000	0	5,000	58,711
Interest income	5	9	10	14	1,460	6,874	53	66	260	161	8,912
	5	109	10	514	15,046	44,874	578	1,066	260	5,161	67,623
DEDUCTIONS:											
Scholarships awarded	210	100	0	500	3,000	2,400	1,000	500	500	5,000	13,210
Changes in net assets	(205)	9	10	14	12,046	42,474	(422)	566	(240)	161	54,413
Net assets beginning of year	205	314	284	506	28,568	0	1,460	1,679	6,960	5,122	45,098
Net assets end of year	\$ 0	323	294	520	40,614	42,474	1,038	2,245	6,720	5,283	99,511

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS

	Modified Accrual Basis Years ended June 30,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 3,590,504	3,563,857	3,293,136	2,567,624
Tuition	180,746	187,568	170,217	173,745
Other	521,478	626,661	679,339	1,261,196
State sources	4,573,434	4,337,603	4,219,487	4,125,824
Federal sources	286,018	210,874	280,238	285,265
Total	\$ 9,152,180	8,926,563	8,642,417	8,413,654
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,451,845	3,066,054	2,919,893	3,114,027
Special instruction	1,146,073	1,085,851	1,063,065	1,197,697
Other instruction	886,236	1,048,621	1,098,824	785,507
Support services:				
Student services	190,204	182,325	132,436	134,866
Instructional staff services	271,626	271,163	337,026	168,072
Administration services	985,912	906,653	870,944	814,554
Operation and maintenance of plant services	903,724	791,257	822,026	742,073
Transportation services	436,857	328,577	349,093	332,589
Other expenditures:				
Facilities acquisitions	274,905	1,717,443	847,757	101,128
Long-term debt:				
Principal	450,000	440,000	3,470,000	260,000
Interest and other charges	124,375	136,397	354,517	309,698
AEA flow-through	301,546	290,839	275,773	274,053
Total	\$ 9,423,303	10,265,180	12,541,354	8,234,264
				8,074,165

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Missouri Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Missouri Valley Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Missouri Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Missouri Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Missouri Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Missouri Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Missouri Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Missouri Valley Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Missouri Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Missouri Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Missouri Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Missouri Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Missouri Valley Community School District and other parties to whom Missouri Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Missouri Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Purchase Orders - We noted during our audit that the District currently uses purchases orders in the purchasing process, however the Student Activity Fund had instances of purchase orders that were completed after the product had been ordered.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review purchase order procedures with employees to ensure staff members have a thorough understanding that purchase orders will be required before the product is ordered. This will be incorporated into the employee handbook.

Conclusion - Response accepted.

- II-B-08 Exclusive Vendor Contract - We noted during the audit that within the Student Activity Fund there was revenue received from an exclusive vendor contract with Pepsi.

Recommendation - According to guidance provided by the Iowa Department of Education, the Auditor of State and the Attorney Generals Opinion dated February 15, 2000, the exclusive vendor contract is allowable, but the revenue from the exclusive vendor contract must be recorded only in the District's General Fund. Under Dillon's Rule, there is no statutory requirement or authority to record the revenue in another fund other than the General Fund.

Once exclusive vendor contract revenues are recorded in the General Fund, they can be subsequently spent for purposes including athletics, other extracurricular activities to the extent the expenditure would be allowable and appropriate from the General Fund.

Response - Revenues for the exclusive vendor portion of the contract will be recorded in the General Fund.

Conclusion - Response accepted.

I-C-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

There are interest accounts in the Student Activity Fund. Moneys in these accounts should be allocated amongst the individual Activity Fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

According to Chapter 297.9 of the Code of Iowa, rents collected by the District are to be receipted into the General Fund. Since the Towel Rent account is rent collected for the use of towels by students during the year, the account should be closed out to the General Fund and future monies collected by the District for this purpose should be receipted to the General Fund.

Currently, donations from Target are recorded in the High School Activity account in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

There is an Elementary Library Maintenance account in the Student Activity Fund. Purchases of library books were being made from this account. As mentioned above per Chapter 9 of the LEA Manual, purchases of library books are instructional and not allowable from the Student Activity Fund. Revenues in this account are generated from library book fines and donations for the purchase of library books. Since monies are collected and donated for this purpose, it is only logical that the donations and fines be recorded in the General Fund where purchases of library books are allowable. Remaining funds in this account should be transferred to the General Fund.

The Student Council account awards a scholarship from proceeds from fundraising during the year. When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

When the District writes checks for scholarship awards, the check is written to the student only. A better practice would be for the District to write the check to the individual and the college/university the student is attending once the student has supplied proof of attendance to the District.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - The District is reviewing the recommendations mentioned above with District personnel. The recommendations stated above will be implemented by the District.

Conclusion - Response accepted.

I-D-08 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for admissions to football games held on District grounds and a reconciliation of monies collected is not being completed.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District is reviewing procedures and will implement necessary changes.

Conclusion - Response accepted.

- I-E-08 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price the commodity inventory according to Department of Education guidelines.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The Food Service director has been advised of the proper way to calculate inventory values at year end according to Department of Education guidelines.

Conclusion - Response accepted.

- I-F-08 Free and Reduced Lunch Applications - We noted during our audit that one of the free and reduced lunch applications in our testing was marked as free, but actually should have been marked as disallowed. We also noted another application that was marked as free, that should have been marked as reduced.

Recommendation - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly. The District should contact the Department of Education to correct the necessary reports.

Response - The District will contact the Department of Education and correct the necessary reports.

Conclusion - Response accepted.

- I-G-08 Agency Fund - During our audit we noted the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the District serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or a parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund".

The District appears to be improperly accounting for District funds as agency accounts.

Recommendation - Management should review each account identified in the agency fund and determine the most appropriate place to record the transactions. As stated above, the agency fund is created by the District to act as an 'agent' for non District accounts. The District may not arbitrarily choose which funds are placed into an agency account; based on convenience, amount, or sponsor preference. Monies accounted for in the Agency Fund should be the property of an entity that has its own federal identification number and would be considered a legally separate entity. If the accounts that are currently in the Agency Fund are truly District funds, the transactions should be recorded in the most appropriate fund where standard District policies and procedures should be followed.

It would appear that each of the accounts recorded in the Agency Fund are in fact District funds, which should be subject to the same level of accounting as any other transactions currently recorded in the District's records. The District needs to evaluate each account currently maintained in the Agency Fund and determine that account's validity as an Agency account.

As an example, currently the Coach's fund has revenue recorded from sales of advertising for District calendars, and the expenses include personal clothing purchases for staff. The revenue from selling advertisements should be recorded in the General Fund and used to offset the expenses of the calendar, unless it is a fundraiser for a specific Student Activity club, in which case it would be recorded in that account. The current expenses for staff clothing is not appropriate, because it does not meet public purpose as identified by Attorney General Opinion dated April 25, 1979. If the District decides to provide clothing for staff, the amount should be approved by the board and would be added to the individual's W-2 for payroll purposes.

As another example, each building maintains a faculty account within the Agency Fund. The revenues recorded in these accounts are derived from vending sales from District pop machines. Expenses from these accounts include beverages and meals for staff meetings. Clearly the profit from the sales of District's pop machines is the District's profit and should be recorded as revenue in the District's General Fund. The expenditures for staff meetings may not be appropriate and should be identified as to the public purpose served when approving and paying these types of bills.

As previously mentioned the District should review each Agency Fund account individually and then make necessary transfers to the funds that are most appropriate. The District should also review Chapter 9 of the LEA Administrative Manual to identify the most appropriate placement for these account transactions. The District should refrain from utilizing the Agency Fund for accounts that are not true agent relationships.

Response - The District will review accounts in the Agency Fund and will make necessary changes to comply with the auditors' recommendations.

Conclusion - Response accepted.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed budgeted amounts.

II-B-08 Questionable Disbursements - We noted during our audit that the District gave gift certificates to individual students from the Student Activity Fund as incentive prizes for good behavior. Gift certificates as incentive prizes do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - This practice will be discontinued.

Conclusion - Response accepted.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

During the audit we noted that employees were using District credit cards for business related travel expenses but not always turning in detailed receipts of the charges made to the credit card.

Recommendation - District Board Policy 805.6R1 states that an employee using District-issued credit cards must submit a detailed receipt in addition to the credit card receipt showing the date, purpose and nature of the expense for each claim item. Failure to turn in detailed receipts to the District makes the expense the employee's expense and not the District's. The District should review Board Policy 805.6R1.1 and communicate to employees the ramifications to them if the policy is not followed.

Response - The District will review procedures in place for use of District credit cards and will implement changes as necessary. A greater effort will be placed on enforcement of Board Policy 805.6R1.

Conclusion - Response accepted.

II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Daniel Zaiser, Board Member	Equipment rental	\$250
Daniel Zaiser, Board Member Wife does embroidery work on uniforms	Purchased service	\$180
Carol Rodewald, Food Service Director Own's Carol's Catering	Purchased service	\$3,421

Ed Spencer, Bus Driver Owns Ed's Towing	Purchased service	\$280
Jim Hornbeck, Teacher Owner CJ Futures, Inc.	Purchased service	\$9,688

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Mr. Zaiser do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse of Mr. Zaiser does not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transaction with the employees of the District do not appear to represent a conflict of interest.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District provides the minutes for publication within the two week period; however the District can not control the publication timeline for the local newspaper. As an alternative, we have begun to publish minutes on the District's website.

Conclusion - Response accepted.

II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on line one was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General Fund, Activity Fund and Nutrition Fund which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District is reviewing whether outstanding checks should be reissued, voided or submitted to the State as unclaimed property and will be handled appropriately.

Conclusion - Response accepted.

II-K-08 Financial Condition - At June 30, 2008, the General Fund had a deficit unreserved undesignated fund balance of \$131,309. The District also had a deficit unrestricted net assets balance in the governmental activities of \$156,658.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits accounts. The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - We will explore alternatives to eliminate the deficits.

Conclusion - Response accepted.